

Executive Summary



Introduction

This Summary, along with the Mayor's and Finance Director's presentations of the budget and the following book, present the Metropolitan Government's balanced \$1.3 billion recommended operating budget for FY 2003.

Budget Initiatives

This budget proposes improvements and initiatives in four major areas:

- To fully fund our schools
- To assure public safety
- To provide a quality of life that enhances our community and neighborhoods
- To provide a fair and sustaining income for our employees

Changes from the FY 2002 budget are detailed in the "Highlights" of each department's narrative. The major highlights are summarized below.

Public Education

School Fund Budget	
FY 2002	447.6 million
FY 2003	477.6 million
Increase	30 million

Over the last year, the Metro Board of Public Education developed and approved a systemwide strategic plan for 2002-2007 with a mission to "do whatever it takes for all students to acquire the knowledge and skills to become productive, responsible citizens."

The Metro budget advances both the mission and the funding recommendations of the Board's 2003 Student-Based Budget. Specifically, it funds the following support for students, teachers and administration, partly through new expenditures and partly through redirecting existing funds:



New Reading Specialist – Every Elementary School	\$4,584,100
More Teachers - English Language Learners	5,464,300
Campus Supervisors - Free Up Instructional Staff	3,195,600
New "Focus on Achievement" Lessons	1,500,000
More Books & Materials – Libraries	560,000
More Reading Books – Elementary Schools	1,035,000
New Programs – Academically at Risk Kids	100,000
Expanding Technology	1,435,400
More Summer School Available with Extended Day Care	125,000
Programs to Keep Students in School	69,000
More Library Clerks	276,260
More Supplies	1,141,181
New Montessori School	897,740
The Renaissance School	500,000
International Baccalaureate Program	120,000
Student Attendance Program	100,000
Highest Possible Standards for School Opening	374,200
More Bus Drivers, Better Scheduling & Maintenance	879,300
More School Custodians & Grounds Maintenance	659,300
Pay Plan for Teachers & Support Staff 3%	9,805,500
Step Increases	5,483,400
Increased Cost – Health Insurance & Retirement	5,108,600

Public Safety

Police, Fire, & Justice Administration Budget (both General Funds)	
FY 2002	277 million
FY 2003	293 million
Increase	16 million

Metro continues to focus on assuring that our citizens are safe by providing the necessary personnel, training, and equipment to our Police, Fire, Office of Emergency Management and Health Departments. The 2003 recommended budget targets funding for overtime in both Police and Fire Departments. The budget also supports the implementation



Executive Summary



of the Police audit recommendations for hiring School Resource Officers.

Improvements are also recommended for General Session Court, Juvenile Court and for the Juvenile Court Clerk.

Police Audit Recommendations	\$1,225,400
Police - School Resource Officers	837,000
Police Overtime	660,200
Police - Other	408,600
Fire - Overtime	351,800
Fire - Cross Training	887,900
Fire - Emergency Supplies	115,000
Sheriff	2,237,700
Correctional Health Services	498,000
Correctional Officers & Park Rangers Retirement	600,000
Bioterrorism Preparedness	56,500
Building Security	327,000
Office of Emergency Management - Homeland Security	179,000
Judicial Commissioners	200,000
General Sessions - Additional Staff	66,000
Juvenile Court Additional Staff	141,200
Juvenile Court Clerk -Additional Staff	29,900
Public Defender Rent	378,000
Justice Information System Improvements	147,700

Neighborhoods and Community Support

Recreational, Cultural, & Social Services Budget	
FY 2001	102 million
FY 2002	105 million
Increase	3 million

The continuing focus on supporting our neighborhoods and striving to ensure a high quality of life cuts across all of our priorities. Particular efforts that are directly focused on our daily lives include:

- A new household recycling program, which is adding 1,000 new homes each day
- A continued emphasis on creating safe and affordable housing in our neighborhoods
- The soon-to-be-completed "master plan" for sidewalks, which will guide unprecedented levels of sidewalk construction across Metro Nashville
- The upcoming "master plan" for our Parks which will guide our continued investments in parks, greenways and the like as we enter the second 100 years of our Parks system.



Other enhancements include:

Neighborhoods & Community Support	
Caring for Children	\$822,000
Office of Children and Youth	180,000
YWCA Domestic Violence Shelter	300,000
United Way Family Resource Centers	250,000
Health - Re-open East Dental Clinic	300,600
Bridges to Care Program	282,500
Metro Action Commission	128,000
Libraries - Improved Computer Access	158,800
Arts Commission	280,000
Public Works Audit Recommendations	1,496,100
Planning Commission Improvements	377,400
Codes - Neighborhood Coordinator	51,200

Executive Summary



Metro Transit Authority	1,300,000
Regional Transportation Authority	145,000
High Speed Rail Corridor	100,000
Workforce Development Grant	150,000
The Hermitage	50,000

Pay Plan/Benefit Adjustments Last year, Metro commissioned Mercer Inc. to conduct a comprehensive review of employee compensation government-wide to determine Metro's salary market competitiveness. The report made recommendations for adjustments in many areas to achieve a market position that helps recruit, retain and reward employees for performance. Among the highlights were significant salary adjustments for public safety positions (police, fire, emergency medical, and corrections) and other areas, across the board increases for all employees, and pay for performance. The new pay plan was initially implemented in FY 2002.

The recommendations were presented to management, labor groups, the Metro Council, and the Civil Service Commission. Some adjustments were made as needed to make the plan fit specific needs identified in the process. The resulting pay plan implements most of the market adjustments recommended, brings all employees up to market minimum rates. In addition, the pay plan incorporates the pay for performance components recommended by the Mercer study.

The FY 2003 budget continues funding required to fully implement the second year of the pay plan, including increments, effects on exception pay (such as overtime), and pay-related related benefits. These additional costs are included in departments' budgets.

Pay Plan Improvements	\$17,254,700
-----------------------	--------------

The FY 2003 budget also sets aside funding for benefit adjustments in anticipation of increased health insurance costs for employees and retirees effective in January 2003. These costs are budgeted centrally and have not been distributed to departments' budgets.

Increased Cost – Health Insurance & Retirement	8,996,000
--	-----------

Other Enhancements

In preparing the FY 2003 budget, the administration carefully scrutinized departmental budgets and operations. Many departments had reductions and/or increases related to miscellaneous program changes. A few of the changes include:

Keeping Our Commitments:	
Public Television	\$2,359,600
Greer Stadium Maintenance	250,000
National League of Cities	660,000
Election Costs	1,217,700
Office of Minority/Small Business	105,000
New Disparity Study	300,000
Accounting Staff for Schools	90,000
Americans with Disabilities Act (ADA)	160,000

The budget also calls for management improvements and changes, including consolidation of fleet management activities into a new Fleet Management Office and consolidation of stormwater activities:

Stormwater (total budget)	
Remedial Maintenance (off right-of-way)	\$3.3 million
Routine and Right-of-Way Maintenance	2.1 million
Capital Projects	6.2 million

Executive Summary



Revenues

The tone of any government budget is always set by the availability of resources. Deficit financing is prohibited by both Tennessee Law and the Metropolitan Charter; expenditures must be matched by equal dollars of revenue and appropriated fund balances.

Property Taxes

Property Tax Budget	
FY 2002	\$585.3 million
FY 2003	\$610.0 million
Increase	\$24.6 million

The FY 2003 budget anticipates continued moderate growth in property assessments. This budget keeps overall property tax rates unchanged from FY 2002, although \$0.03 of the rate is shifted within the GSD funds.

The combined rate is the total paid for property in the USD; property outside the USD is taxed at the GSD rate. Residents of the seven satellite cities within Metro pay the GSD rate plus the rate set by that satellite city.

Metro's property tax rates are the lowest of the four major Tennessee cities, and competitive with those of surrounding communities.

The budget projects sales tax to grow about 3% over FY 2001 collections. Each 1% of growth generates only \$1.5 million government-wide and only about \$460,000 in the GSD General Fund.

Local Option Sales Tax

Sales Tax Budget	
FY 2002	245.7 million
FY 2003	243.7 million
Increase	2.0 million

Federal, State, and Other

Federal, State, & Other Gov't Agencies Budget	
FY 2002	240.0 million
FY 2003	240.0 million
Increase	-0- million

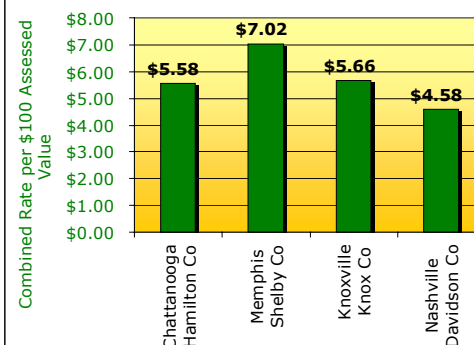
Other Revenues Budget	
FY 2002	140.7 million
FY 2003	149.8 million
Increase	9.1 million

The only significant changes in other local revenues are the reallocation of the Hall Income Tax and some franchise fees to the USD General Fund to reflect those revenues' support of USD functions.

FY 2003 Property Tax Rates per \$100 of Assessed Value

District	Fund	Rate
GSD (General Services District)	General	\$1.94
	Schools	1.27
	General Debt Service	.43
	Schools Debt Service	.20
Subtotal - GSD		\$3.84
USD (Urban Services District)	General	\$.64
	General Debt Service	.10
	Subtotal - USD	\$.74
Combined USD rate		\$4.58

Tennessee 2001 City-County Property Tax Rates



The budget proposes no change in the rate of the 2.25% local option sales tax. It also proposes no change in its current distribution of 2/3 (1.50%) to schools (including schools debt service) and 1/3 (0.75%) to general purposes. (By state law, at least 1/2 of the local sales tax must be allocated to schools.)

The budget estimates federal, state, and other revenues are based on our best estimates of those revenues. This category also includes other revenues, reimbursements, and grants. The Finance Department began moving most grant revenues and expenditures from the general funds to various grant special revenue funds since FY 2000. This will continue during FY 2003, although some of these revenues remain in the GSD General Fund.

Executive Summary



Trans. from Other Funds

The budget does not call for any significant changes in interfund transfers.

Fund Balances

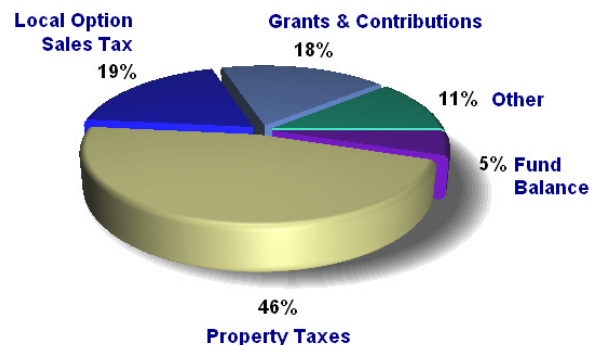
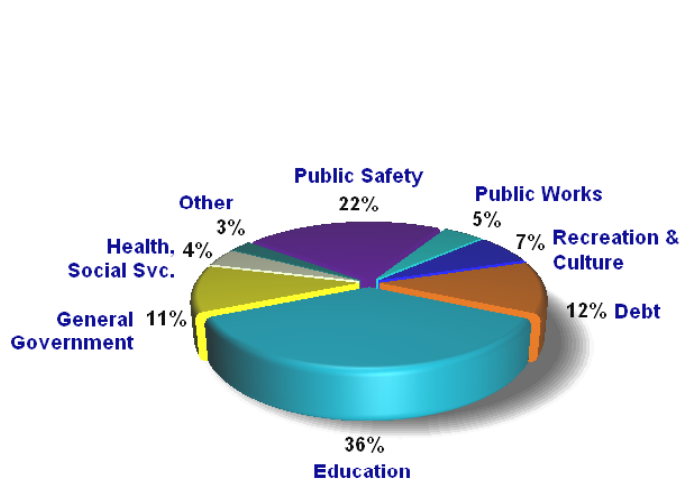
The FY 2003 budget appropriates modest fund balances in various funds. Many of these are for one-time appropriations. Using conservative estimates, balances should remain above our 5% minimum set by management

Budget Summary

This table and the following pie charts summarize the FY 2003 budget.

Summary of the FY 2003 Budget - Six Budgetary Funds
Per Budget Ordinance

	GSD General Fund	GSD Debt Service	GSD School Debt Svc	GSD School Fund	USD General Fund	USD Debt Service	Duplicated by Interfund Transfers	Total
Estimated Revenues:								
Property Taxes	\$ 267,144,085	\$ 58,125,989	\$ 27,178,343	\$ 172,763,183	\$ 75,276,364	\$ 9,470,848	\$ -	\$ 609,958,812
Local Option Sales Tax	79,509,853	2,000,000	14,948,019	146,207,445	1,067,879	-	-	243,733,196
Grants & Contributions	81,834,939	1,455,000	-	147,006,914	9,747,645	-	-	240,044,498
All Other Revenues	112,879,292	13,787,515	1,030,340	8,639,745	11,752,519	8,871,285	(7,163,285)	149,797,411
Fund Balance Appropriated	35,917,954	10,788,474	13,259,289	2,982,713	3,934,230	1,792,117	-	68,674,777
Total Revenues	\$ 577,286,123	\$ 86,156,978	\$ 56,415,991	\$ 477,600,000	\$ 101,778,637	\$ 20,134,250	\$ (7,163,285)	\$ 1,312,208,694
Appropriated Expenditures:								
General Government	97,137,083	-	-	-	25,026,638	-	(\$951,234)	121,212,487
Fiscal Administration	\$21,451,829	-	-	-	-	-	-	21,451,829
Administration of Justice	42,441,520	-	-	-	-	-	-	42,441,520
Law Enforcement & Jails	165,053,968	-	-	-	481,000	-	(481,000)	165,053,968
Fire Prevention & Control	27,927,212	-	-	-	57,820,955	-	-	85,748,167
Regulation & Inspection	\$32,776,385	-	-	-	1,212,258	-	-	33,988,643
Conservation of Resources	436,927	-	-	-	-	-	-	436,927
Social Services	13,638,083	-	-	-	-	-	-	13,638,083
Health & Hospitals	39,910,942	-	-	-	-	-	-	39,910,942
Public Libraries	18,093,049	-	-	-	-	-	-	18,093,049
Recreational & Cultural	73,201,443	-	-	-	135,440	-	-	73,336,883
Public Works (General)	\$45,217,682	-	-	-	\$17,102,346	-	(16,250)	62,303,778
Education	-	-	-	477,600,000	-	-	(2,297,903)	475,302,097
Debt Service	-	86,156,978	56,415,991	-	-	20,134,250	(3,416,898)	159,290,321
Reserves	-	-	-	-	-	-	-	-
Total Expenditures	\$ 577,286,123	\$ 86,156,978	\$ 56,415,991	\$ 477,600,000	\$ 101,778,637	\$ 20,134,250	\$ (7,163,285)	\$ 1,312,208,694
Projected Surplus or (Deficit)	-	-	-	-	-	-	-	-





This Book's Organization

This book divides budget information into different sections, each with its own series of page numbers.

Section A is this Executive Summary of the budget.

Sections B-H present more descriptive information about each department's budget and operations. These departments are organized by function.

Departmental Information

The following is provided for each agency (department, commission, board, or elected office).

At a Glance – Basic descriptive and narrative description that describes the department and summarizes its budget. This includes:

- Strategic vision and mission, or legal authority.
- Budget summary. The table first presents expenditures for the department's primary operating fund, followed by total expenditures for its other annually-budgeted funds. If the department has multiple primary operating funds, they are listed individually. Note that total expenditures may be overstated by the amount of transfers between the funds that the department uses.

Revenues are either **program revenues** (fees, charges, grants, and contributions specifically generated by or for services that the department provides) or **non-program revenues** and **transfers from other funds** that are recorded by the Fastnet accounting system in the department's business units, but not are not intended to support the department's programs.

The difference between total expenditures and program revenues indicates how much the department's programs depend on general public money.

- The position summary shows authorized position headcounts and full-time-equivalent positions.
- Contact information shows how to contact the agency head and the agency's budget manager.
- The organization chart starts with the elected official, board, or commission that oversees this agency, department, or office, and shows major functions or organization units.
- Highlights show changes in the FY 2003 budget.
- The overview describes the department's activities based on the organization chart.

Performance – This section measures achievement of objectives for each significant activity or service, with projected targets for FY 2003. This year's measures reflect a move toward clearer, more concise, more relevant performance information.

Financial Data shows the following for each annually-budgeted major fund (or group of minor

funds) in the department, beginning with its primary operating fund (usually the GSD General Fund):

- The **EXPENDITURE BY TYPE** and **REVENUE BY SOURCE** reports show budgeted and actual expenditures and revenues (respectively) by revenue or expenditure object group for the fund and department as a whole (not by business unit).

Revenues are characterized as program revenues and non-program revenues. Expenditures are grouped by object of expenditure. These revenues and expenditure object groups are described at the end of this section.

- Budgeted Positions & FTEs by fund shows budgeted position headcount, full-time equivalents (FTEs), and pay grade by class for each annually-budgeted fund in the department. They reflect some reclassifications due to the Mercer study.

The Chart of Accounts

The budget is organized according to Metro's chart of accounts – the financial accounting and coding structure used in both the budget ordinance and this book. The chart of accounts is composed of funds, business units (BUs), and object accounts.

Funds are accounting entities with their own assets, liabilities, equity, revenues, and expenditures, for certain specific activities or to accomplish definite objectives. Fund numbers are five digits long.

Each fund is made up of one or more **business units**. Business Units are the lowest levels for which we need to manage and/or report separate financial data; they represent an organizational unit, program, or activity within a department and fund. A fund may have multiple business units, but each business unit is associated with only a single fund.

Within business units, **object accounts** represents individual types and sources of revenues or uses of expenditures. The same account numbers are used across all business units. Fastnet tracks financial information by business unit and object account.

The Fastnet human resources / payroll / position budgeting module tracks classes and positions.

Presentation in this book

The budget is available from the Finance Department in detail, by fund, department, business unit, and object account. However, to present the budget at a meaningful and manageable level, this book presents the budget by fund (or groups of minor funds) and object group.

Object account groups used in this book is summarized as described on the following two pages. The object groups are presented here in the same order that is used in the departmental pages.



Expenditure Object Groups Used in Budget Book Financial Schedules

Personal Services:

Salary Expense – Holiday pay, injured on duty pay, leave pay, longevity, open range increases, out of class pay, overtime, perfect attendance, salaries & wages, shift differential

Fringe Benefits – Auto allowance, dental, group health, group life, OASDI, pension, SSN medical, FSA pre-tax savings

Per Diem & Other Fees – Class instructors, court reporter, game official, jury pay, legislative delegate, other per diem fees, poll workers, witness fees

Other Services:

Utilities – Cable television, electricity, gas, Thermal, water

Professional Services – Accounting, appraisals, architectural, auditing, demolition, dialysis, engineering, facilities management, investigators, laboratory, landscaping, legal, management consultants, project administration, project management, software consultants, subcontractors

Purchased Services – Administrative services, archiving, billing, bottled water, care of animals, care of persons, chipper service, collections, curbside recycling, flight service, food preparation, grounds maintenance, hazardous waste disposal, health services, internet services, interpreters, janitorial, laundry, meter reading, other purchased service, personal contract service, pest control, property protection, recycling, refuse disposal, sweeping, towing

Travel – Air travel, local travel, out-of-town travel, parking

Communications – Pagers, postage and delivery, telephones

Printing – Binding, plan printing, sign printing

Advertising & Promotion – All advertising and promotion costs

Subscriptions – All subscriptions

Tuition, Registration, & Membership Dues – Employee tuition reimbursement, membership dues, registration, tuition

Repairs & Maintenance Services – Automotive repairs, building maintenance, computer repair, electrical repairs, mechanical repairs, office equipment repairs, other repairs, plumbing repairs, road and street paving/repairs

Internal Service Fees – Central printing, facilities project management, information systems, motor pool, office supplies, postal service, radio shop, treasury management

Other Expense:

Supplies and Materials – Auto fuel & supply, books, clothing, computer hardware & software, construction supply, educational supply, electronic parts, fire hydrant parts, food & ice, furniture, laboratory supplies, medical supplies, office supplies, paint, printing supplies, repair & maintenance supplies, signs, uniforms

Misc. Other Expenses & Payments – Bad debt, council reimbursements, court costs, damages and small claims, parking violation fees, refund errors

Fixed Charges – Bank fees, deferred compensation payments, finance charges, fixed charges, insurance, interest expense, investment fees, rent, surety bonds

Licenses, Permits, & Fees – Alarm permits, auto emission tests, beer permits, drivers license, drug tests, elevator permits, food service permits, hazardous waste permits, notary, pharmacy license, software licenses, state water quality permits, underground tank fees, vehicle registrations, water pollution fees

Taxes – Business tax, demolition, nursing home tax, personalty tax, professional privilege tax, sales tax

Grant Contributions & Awards – Contract performance bonus, contributions and grants, employee awards, training stipend

Pension, Annuity, Debt, & Other Costs – Amortization expense, arbitrage rebate, bond sale expense, compensation for damages, debt service, dental claims, depreciation, discount on bonds, educational programs, health claims, interest expense, pension, principal retirement

Equipment, Buildings, & Land – Buildings, building improvements, capital outlay, computer equipment, furniture and fixtures, infrastructure, land, machinery, motor vehicles

Special Projects – Budget allotment offset, budget intra-fund transfer, NCAC charges

Transfers To Other Funds & Units – Transfers to other funds and component units, debt service, environmental remediation, Farmers Market subsidy, health services, hospital subsidy, hotel occupancy, local match for grants, MDHA, MTA, NCAC, operational transfers, rent, solid waste, stadium debt, Sports Authority



Revenue Object Groups Used in Budget Book Financial Schedules

Program Revenue – Fees, charges, grants, and contributions specifically generated by or for services that the department provides. They are intended to fully or partially fund the specific program, and so reduce the net cost of the of the program to be financed from the government's general revenues. They may be generated either from the program's customers (like user fees) or from outside parties (like categorical grants).

Charges For Current Services – Admissions, advertising, ambulance fees, appeals, arena operations, auditorium use, concessions, convention center operations, data processing fee, day care service, disposal fee, drug testing fee, dumping, engineering fee, entry fees, external source recovery, facility use fee, Farmers Market fees, fire hydrant inspection, Flea Market revenues, golf cart rental, green fees, hospital fees, immunization fees, internal service fees, legal services, library fees, lobbyist registration, maps, Medical Examiner fees, medical services, membership fees, Municipal Auditorium operations, NCAC reimbursements, parking, Police secondary employment, publications, raceway revenue, radio repair, state fair revenue, vehicle emission test fees, workshop fees

Commissions and Fees – Court clerk commissions and fees, elected officials commissions and fees, Metro court fees

Federal Direct – Department of Justice revenue sharing, Federal Treasury revenue sharing, Federal Medicare, Federal SSI reimbursement, other federal grants

Federal Through State – Federal revenue sharing through state, Medicaid/TennCare through state

Federal Through Other Pass-Through – All federal payments other than federal direct or federal through state, including Medicaid/TennCare through other, Medicare through other

State Direct – Alcoholic beverage tax apportionment, drug enforcement, education appropriation, excise tax allocation, felony forfeitures, gas & fuel tax (city and county), gas inspection fees, post-mortem reimbursement, sales tax levy

Other Government Agencies – Other Tennessee government agencies, agencies of other governmental units

Contributions and Gifts – Cash contributions, contribution from a group or individual, deferred compensation contribution, sale of donated property

Miscellaneous Revenue – Cost reimbursement, litigation settlement, premium for property loss, premium for self-insured liability, recycling rebate, sales of miscellaneous items, unapplied deposit, unclaimed property, vending revenue

Use of Money or Property – Bond proceeds, contributions of capital, easement rights, finance charges, Metro Investment Pool interest, notes proceeds, premium on bonds

Non-Program Revenue – Revenues that are recorded by the Fastnet accounting system in the department's business units, but not are not intended to support the department's programs.

Property Taxes – In-lieu payments, personal ad valorem tax, personal property tax, public utility tax, real property tax

Local Option Sales Tax – Local option sales taxes, Tennessee telecommunication sales tax

Other Taxes, Licenses, and Permits – Alarm device permits, alcoholic beverage tax, beer permits, building permits, business tax, emergency wrecker license, excavation permits, franchises, hotel occupancy taxes, marriage license, motor vehicle license, obstruction permit, plumbing permits, sidewalk & right-of-way permits, solicitation permits, taxicab license, temporary street closure permits, wholesale liquor tax

Fines, Forfeits, and Penalties – Civil fines, confiscated cash, court-ordered restitutions, DUI fines, judgments recovered, litigation tax, Metro court fines and costs, offender program income, traffic violation fine, vehicle tow-in fees, warrant fees

Compensation From Property – Abandoned vehicle auction, external source recovery, gain (loss) on sale of property, insurance recovery, rent, subrogation recovery

Transfers From Other Funds and Units – Capital improvement plan, Council appropriations, debt service, environmental remediation, equity transfers between funds, Farmers Market subsidy, hospital subsidies, legal services, local match for grants, Police service, school programs